MAGNIFOAM TECHNOLOGY INTERNATIONAL INC.

ANNUAL REPORT 2001

MTII

momentum



Corporate Profile

Magnifoam Technology International Inc. is an integrated material science company. MTII's focus for material and application development is in areas that require high-performance standards and uniquely designed solutions. MTII develops and produces specialty silicone foam using patented technology and also designs and fabricates energy management systems from a variety of flexible, cellular materials. The company is also involved in the development of specialty silicone resins, the primary input in Magnifoam™ silicone foam, through its part-ownership in QSi, LLC. MTII sells its products into the aerospace, mass transit, automotive, sporting goods and industrial markets.

The company's head office and Canadian manufacturing operations are located in Mississauga, Ontario, with a U.S. research and development, manufacturing and sales facility in Richmond, Virginia. Shares of Magnifoam trade on the Toronto Stock Exchange under the symbol "MTG".

GROWTH STRATEGY

"We expect continued expansion in all three divisions as we develop additional applications for our proprietary silicone foam and continue to diversify our revenue base. We are also pursuing strategic additions to our technology, customer base and geographic coverage, whether through acquisition or internal expansion, in order to continue our record of growth." Robert Keto, CEO

Contents

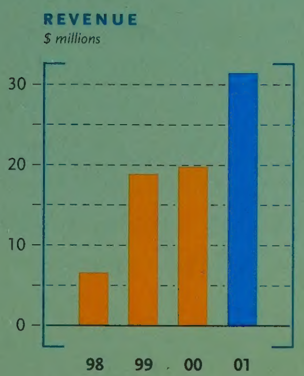
Fiscal 2001 Highlights

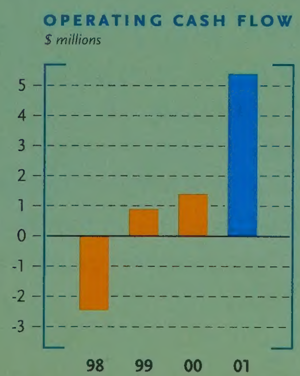
- Successfully completed acquisition of 35,592 sq. ft. facility in Richmond, Virginia for expansion of silicone operations as well as research and development and sales and marketing
- Order backlog at record high of $190 million at 2001 year-end
- Fiscal 2001 sales increased 59% to $31.5 million, including growth in *Aerospace* revenues of 63%
- Operating cash flow increased 291% to $5.4 million
- Net income grew 260% to $4.0 million (e.p.s. of $0.22)
- Secured substantial new contracts in rail and mass transit markets for silicone foam seating
- Expanded *Aerospace* business by launch of retrofitting of business and regional jets

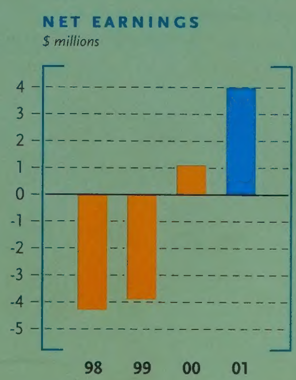
Selected Financial Information

In millions of dollars, except per share and ratio data	**2001**	2000
Revenue	**31.5**	19.8
Operating Cash Flow	**5.4**	1.4
Net Earnings	**4.0**	1.1
Earnings per share (basic)	**0.22**	0.06
Working Capital	**14.6**	8.7
Total Assets	**35.3**	24.5
Shareholders' Equity	**29.0**	20.9
Debt / Equity	**.09:1**	.004:1
Total Common Shares Outstanding	**19,406,834**	18,129,334
Weighted Average Number of Shares Outstanding	**18,701,607**	17,983,438

All figures are in Canadian dollars except as otherwise noted







Who We Are

Magnifoam Technology International Inc. (MTII) is an integrated material science company, operating in three core businesses.

BUSINESS | **PRODUCTS**

AEROSPACE

Our *Aerospace* business centers on our PolyFab manufacturing operation, which produces custom-engineered insulation solutions for the world's leading business and regional aircraft manufacturers, including:

- Thermal-acoustic insulation systems
- Vibration dampening barriers
- Acoustical barriers

Magnifoam's expanded *Aerospace* business also targets business and regional jets already in use for retrofitting with packages containing:

- Insulation systems
- Silicone carpet underpads

SILICONE

Our *Silicone* business manufactures Magnifoam™ silicone foam, a patented product that is thermally stable, highly resistant to burning, nontoxic and resistant to fatigue, moisture, humidity and chemical degradation. Magnifoam™ silicone foam is available in two distinct forms:

- MFI™ "bun stock", in densities ranging from 5 lbs/ft^3 to 18 lbs/ft^3 and thickness ranging from 1/8" to over 4". Bun stock is used for seat cushions, padding, fire blocking, vibration and acoustic dampening, as well as thermal insulation.
- MFSiltec™ continuous "roll stock", in widths up to 60", densities from 8 lbs/ft^3 to 14 lbs/ft^3 and thickness ranging from 1/16" to 2". Roll stock is used in extreme temperature gasketing, seals, fire blocking and energy management systems to control thermal, acoustic and mechanical energy.

Magnifoam's *Silicone* business also includes the company's strategic 10% interest in specialty resin manufacturer QSi, LLC.

FABRICATED PRODUCTS

Our *Fabricated Products* business manufactures a broad range of products, including:

- HVAC gasketing for automotive and industrial applications
- Athletic and protective gear.

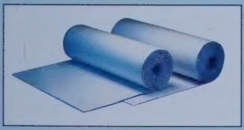
Automotive Applications

MARKETS

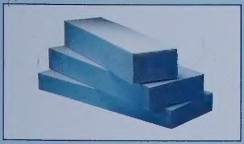
Aircraft Insulation Systems

Aircraft Seating

- Business Jets
- Regional Jets
- Original Equipment Manufacturers
- Business and Regional Jet Retrofitting



Roll Stock



Bun Stock

Mass Transit Seating

- Automotive
- Mass Transit
- Aerospace
- Fabricated Products
- Industrial Applications

Football Helmet Liner

Industrial Foams

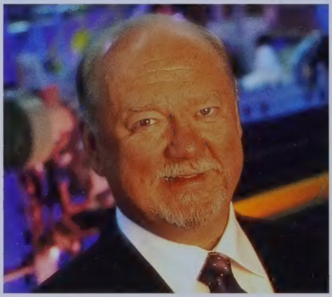
- Automotive
- Sporting Goods
- Industrial
- Other specialty applications

We picked up the pace of revenue and earnings growth in fiscal 2001 and see this momentum continuing into the coming years.

[**President's Message**]

MOMENTUM best describes Magnifoam's position as we look forward to a year of continued growth and reflect back on a highly successful 2001. During fiscal 2001, we delivered on our key objectives, reached a number of important milestones and built strong momentum in all areas of the business.

Total sales grew by 59% last year to $31.5 million, with significant contributions from all three divisions, led by *Aerospace* and *Silicone*. Our *Aerospace* sales were up 63% and we made substantial gains in our *Silicone* business thanks to new rail/transit contracts with, among others, Long Island Rail Road and Caltrain, as well as an initial order in the apparel industry with W.L. Gore & Associates. As was the case last year, these two businesses – *Aerospace* and *Silicone* – will be our main areas of focus moving forward.



Robert E. Keto
President and
Chief Executive Officer

We are particularly pleased to report sharp increases in operating cash flow and net earnings. Operating cash flow was up close to 300% to $5.4 million, and net earnings reached $4 million, or 22 cents per share, a 260% improvement over the previous year. These gains can be attributed to our focus on higher-margin business, careful attention to costs, as well as the economies of scale we are realizing as we grow.

In addition to achieving strong growth in all of our key financial benchmarks, we continued to improve our outlook for coming years by growing our backlog to $190 million, its highest level ever. This backlog is based on firm orders and gives us a clear view to future revenues. It also reduces the potential risks associated with rapid growth by allowing for disciplined and detailed planning of personnel, equipment and facilities to manage expansion.

Magnifoam's customers and end-users include industry leaders such as Bombardier, Nike, General Motors, Bauer, Embraer, Honda, W.L. Gore, and DaimlerChrysler.

BUILDING ON A STRONG FOUNDATION

Underpinning this momentum is a solid foundation – including a blue-chip customer list, engineering strength and commitment to R&D – upon which we continue to build. To help us manage our growth, we added close to 100 new employees last year in engineering, sales and manufacturing. We also continued to provide the tools for our employees to grow the business, including the addition of two new CATIA workstations for engineering design. During fiscal 2001, our manufacturing floor in Mississauga was significantly redesigned for increased efficiency and speed, including automation of numerous processes.

A major development in fiscal 2001 was our acquisition of a sizable state-of-the-art facility in Richmond, Virginia. This strengthens our R&D capabilities and significantly increases our *Silicone* capacity. We consolidated our sales office in Richmond into the new facility, which gives us an excellent base to expand in the U.S. Another advantage of the Richmond plant is its proximity to QSi, our resin supplier and strategic business partner. Naturally, this immediately cuts out shipping costs and time. Equally important, it allows our chemists to work closely with their QSi counterparts to formulate new silicone materials and applications.

One of the highlights of the Richmond plant is our specially designed Gore machine, which places Magnifoam silicone beads in between layers of GORE-TEX™ fabric for high performance firefighter suits. Following a highly successful initial sales cycle in Europe and Asia, we developed this new piece of equipment in conjunction with Gore.

YEAR 2002 OBJECTIVES

1 Broadening Aerospace sales, including growing our new retrofit business.

2 Growing Silicone sales, including development of new applications.

3 Aggressively increasing automotive sales.

Gore's marketing of the suits has resulted in initial sales to Europe-based fire departments. The sales potential for firefighter suits alone is exciting, with many other applications being explored for specialty fabrics.

The U.S. expansion has opened up space in our Mississauga location, which we expect to fill with our growing aerospace backlog. Our existing business of supplying energy management systems to airplane manufacturers has an excellent future. To accelerate growth in aerospace we have begun to exploit an outstanding opportunity by targeting the "retrofit" market for business and regional jets already in use. This offers significant revenue upside and provides another avenue for introduction of Magnifoam's proprietary silicone chemistry. Our marketing materials are in place, the retrofit packages have been designed and our sales program is underway. We expect a significant revenue and profit contribution from this new business in the coming years.

Regional aircraft continue to lead the aerospace industry in growth rates, with delivery of 9,986 forecast between now and 2018. OEMs have added a new generation of 70 and 90 seat aircraft. MTII has won a substantial share of this new business.

Fundamental to this strong foundation and continued momentum is our financial position. At fiscal year-end, we were highly liquid, with working capital of $14.6 million and a significant cash position.

Acquisition of our new facility in Richmond, Virginia was a major development for the Company during the previous year.

MEETING OUR OBJECTIVES

I am especially pleased to report that we achieved our key objectives in fiscal 2001:

- We won major new business from our key aerospace customers, including supply contracts for new generations of aircraft;
- We developed new products and applications, including incorporation of silicone into airplane wings, Siltec™ key pads for European cell phones, and aerospace engine firewalls;
- We more than doubled our sales and marketing capabilities in the U.S. and acquired the Richmond facility, which puts us in a much better position to compete for U.S. government contracts, a high-potential area for our silicone business; and
- We exceeded our revenue growth target of 40%.

Our financial strength continues to build, with $14.6 million in working capital and minimal debt at year-end.

Consistent with our strategy to concentrate on higher-margin business, we sold the expendible packaging portion of our *Fabricated Products* division after year-end. That represented less than 5% of our total revenue and was one of our lower-margin product areas. The sale allows us to focus our efforts on the significant opportunities in the automotive and sports equipment markets.

We expect a significant revenue and earnings contribution from the new aerospace retrofit business over the coming years.

OUTLOOK

We have excellent momentum coming out of fiscal 2001 and are well positioned to continue this trend and achieve our key objectives for 2002. These include:

- Broadening our *Aerospace* sales through new customer wins, continuing to increase the amount of Magnifoam content per plane, and generating initial revenues from retrofitting;
- Growing *Silicone* sales by adding new customers, expanding orders with some of our existing customers, and developing new applications for our proprietary foam; and
- Targeting additional business in the automotive sector.

Going forward, we expect continued robust growth in all three divisions, with *Silicone* representing an increasingly larger portion of our total business. We are also aggressively pursuing strategic additions to our technology, customer base and geographic coverage, whether by acquisition or internal expansion, in order to continue our record of growth.

MTII acknowledges its experienced and enthusiastic management team. Our Vice Presidents are *(left to right)* **Ronald S. Brooks, Marc Simard, Terry Craig, G.R. Schrotenboer and Tom S. Ambeau Jr.**

ACKNOWLEDGEMENTS

On behalf of the entire management team, I would like to personally extend our congratulations to our employees for achieving record results in fiscal 2001, and our appreciation to all those who supported our efforts, including our customers, employees and shareholders. We look forward to reporting many exciting achievements over the coming year.

Robert E. Keto
President and Chief Executive Officer
June 28, 2001

Magnifoam's strong momentum is a product of leading technology, customer-focused engineering, a top-notch work force and growing financial strength.

[Review of Operations]

BUILDING ON A SOLID FOUNDATION

RESEARCH AND DEVELOPMENT

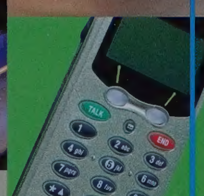
The research and development of new technologies and new applications continues to be a top priority for Magnifoam. The major initiative in this area last year was our acquisition of a new facility in Richmond, Virginia, which greatly enhances our R&D program by bringing us closer to QSi, our collaborative research partner. Moreover, it gives us capacity to expand over the next several years.

Magnifoam's highly focused team is working closely with counterparts at QSi with the objective of creating a more diverse range of products containing our patented silicone chemistry. A recent example of a new use for silicone that replaced traditional materials is an insulating foam firewall for ADTranz, a major rail car manufacturer recently acquired by Bombardier.

Our R&D team is also creating hybrid products, a move aimed at further expanding the uses and applications for our silicone making it more accessible to a larger customer base.

Currently Magnifoam is exploring new applications for its silicone composites in automotive and aerospace working in close collaboration with our customers. In addition, we have successfully targeted new industries, including telecommunications with Siltec™ foam keypads now being used in European wireless phones.

OUR NEW RICHMOND FACILITY



MTII's Siltec™ machine produces proprietary silicone *(left photo)*. **Recently developed applications for silicone include cell phone keypads** *(middle photo)* **and specialty fabric for firefighter suits. Gore machine deposits silicone spacers on GORE-TEX™ fabric** *(right photo)*.

Gore Firefighting Garment

Magnifoam's proprietary silicone and Gore's GORE-TEX™ make these firefighter suits light, durable and heat and fire-resistant.

Research and Development

Our R&D focuses on discovering new applications and novel formulations for our silicone foam, including combination with other materials.

Our Engineering Strength

We significantly increased our engineering staff in fiscal 2001 to maintain our leadership in design.

ENGINEERING STRENGTH

Leading-edge design and quality engineering have been hallmarks of Magnifoam. Embedded in this is a commitment to partnering with our clients to create custom-engineered solutions that meet their specific requirements and help them achieve a competitive advantage. The success of this strategy is evidenced by the fact that many of our clients give us design authority over the solutions we provide.

In fiscal 2001 we continued to make significant investments in engineering to support our growth and maintain our competitive edge. Most notably, we increased our engineering staff by 40%, furthering our commitment to enhancing our leadership position.

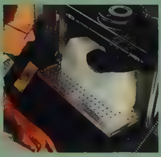
DESIGNING VALUE-ADDED SOLUTIONS

Magnifoam adds value to the materials it works with by engineering the processes and customizing the end product to meet specific customer objectives. This value-added approach is evident in each of our three business areas.

UNIQUE PROPERTIES OF MTII'S SILICONE FOAM

Our patented silicone foam outperforms comparable materials and products. Performance characteristics/ benefits include:

- 100% "spring back" memory, supported by 10-year guarantee
- thermally stable
- waterproof
- minimal flammability
- low toxicity
- insignificant smoke generation



Silicone

Our agreement with W.L. Gore and Associates is a primary example of the joint development of a product and process with a customer. Working closely with W.L. Gore and Associates over the past four years, we have contributed to the development of a superior insulating system for a firefighter garment, now commercialized in Europe, Australia and Asia. Recently, we jointly developed specialized processing equipment to foam and apply silicone "spacers" on the GORE-TEX™ fabric. This new piece of equipment is

Gerard Ellis *(left)*
Manager, Silicone Chemistry
Phil McDermott *(right)*
Vice President Technology, QSi

located in our new Richmond facility. There is strong potential for growth in this market, both by developing products tailored to the North American market as well as expanding into complementary markets demanding high performance fabrics.

Fabricated products

Our *Fabricated Products* business manufactures a broad range of specialty products for the automotive industry and for athletic and protective gear. The fastest-growing segment of this division continues to be automotive, also a major focus for expansion going forward. In fiscal 2001, automotive sales increased to 27% of the division's sales, from 11% in 2000, a trend that we expect to continue into fiscal 2002.

Potential and current uses for silicone in automotive include heat, vibration and noise shielding under the hood, gasketing, interior passenger comfort improvements, and improving durability of exterior components.

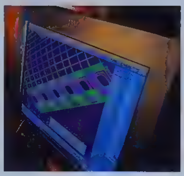
We market our automotive products to both OEMs and their Tier 1 suppliers, and our major customers include top Tier 1 suppliers such as Visteon, Delphi and Lear Corporation, among others. There are powerful market trends working to our advantage. The most significant one is the trend towards the outsourcing of not just manufacturing, but also design and engineering. This initially affected the Tier 1 suppliers, with the effects now progressing to Tier 2 suppliers like Magnifoam. We are capitalizing on this opportunity by displacing traditional materials with solutions that cost less and improve performance. Our automotive sales to date have been mostly for "under hood" applications, particularly energy management components that control heat, noise and vibration – products like the Vortec Engine Shield accoustical foams we supply for GM trucks.

Automotive highlights from fiscal 2001 include the development of exterior products for one of the big three North American auto makers – to be launched in 2002 – and Magnifoam's first interior acoustic product which will be marketed aggressively beginning this year.

We made excellent progress in further penetrating mass transit, automotive and aerospace markets in fiscal 2001. *(right photo)* **A business jet fuselage with MTII's insulation ready to be installed.**

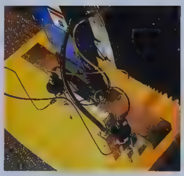
Motor Shield

The Vortec engine shield, designed for GM trucks, significantly reduces noise from the engine.



CATIA Workstations

In fiscal 2001 we acquired two new CATIA workstations, expanding our capabilities for 3D computer modeling.



WaterJet Cutters

Our state-of-the-art WaterJet cutters produce the precision, quality and quick turn-around that Magnifoam is known for.

Aerospace

In addition to supplying thermal acoustic insulation systems to the world's leading regional jet manufacturers, we have begun designing and supplying custom engineered systems targeted to refurbish aircraft already in service. The market opportunity is substantial given that specialty designed systems are non-existent in this market segment. Owners of business jets are accustomed to using state-of-the-art technology and typically will pay a premium for upgrades to their existing systems. The target market for the new retrofit thermal acoustic systems is primarily business jets but will also include the regional jets segment.

This is an excellent opportunity to increase the penetration of our silicone foam in the aerospace market. To date, we have mapped out and catalogued several different models of aircraft and retrofitted existing aircraft from several of the key business jet manufacturers including Cessna, Raytheon-Beech, Dassault and Gulfstream. We are marketing several option packages for retrofitting that include proprietary silicone products used as carpet underpads. Our specially designed marketing materials are being used to directly target OEM-approved airplane refurbishment shops. One OEM is also currently distributing the retrofit packages, and we plan to widen this network by securing additional distribution partners this year.

We are marketing our retrofit packages for regional and business jets directly to refurbishment shops, such as this one located in southern Ontario.

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Corporation and accompanying notes for the 12 month period ended March 31, 2001. All figures are in Canadian dollars except as otherwise noted.

GENERAL

During fiscal 2001 two material events occurred which are described below:

(i) On October 24, 2000 Amber International (Bahamas) Ltd. (Amber) a wholly owned subsidiary of Amber Industrial Holdings plc in turn a wholly owned subsidiary of Caledonia Investments plc exercised 725,000 share purchase warrants at $3.00 per share for proceeds to MTII of $2,175,000. As at March 31, 2001 Amber holds a total of 2,451,600 common shares or 12.6% of MTII's 19,406,834 outstanding common shares.

(ii) In January of 2001, MTII acquired (via a Capital Lease) a facility in Richmond, Virginia for expansion of its Silicone foam operations as well as Research & Development. The facility, which was built in 1998 at a cost of U.S. $2 million sits on 4.5 acres and is 35,592 sq. ft. in size. The plant is very close to the QSi facility, which is MTII's 10%-owned supplier of silicone resin used to produce silicone foam. Consideration for the facility totaled U.S. $2 million, including assumption of the existing tax-exempt Industrial Lease Bond of U.S. $1,689,502 which carries a below market fixed interest rate of 6.53%. It is a fully amortizing lease to a $1 purchase option on April 1, 2018.

The terms of the lease are such that the transaction is accounted for as a Capital Lease which is tantamount to ownership. As a result MTII is required by generally accepted accounting principles to put on the Balance Sheet, the asset and the corresponding lease liability. This liability is the only debt of the Company.

The facility houses the new production machinery built to accommodate the W.L. Gore contract for firefighter suits and also the Siltec™ machine which was moved from one of MTII's Mississauga plants.

RESULTS OF OPERATIONS

The Consolidated Financial Statements of MTII for the year ended March 31, 2001 include the results of operations of its two wholly owned subsidiaries, Magnifoam Technology Inc. (MTI) and Magnifoam Delaware Inc. (MDI). MTI includes the results of its three divisions (Silicone, Aerospace and General Fabrication) and MDI, the U.S. sales and silicone manufacturing operation.

Sales

Sales increased by $11,696,591 or 59% in fiscal 2001 to $31,533,792 from $19,837,201 for fiscal 2000. Sales increased in all three MTI divisions with the major increase coming from the aerospace division (63%). During the year new contracts were garnered for each division which increased the order backlog from $150 million at fiscal 2000 year-end to $190 million at fiscal 2001 year-end. This backlog is for delivery over the next four years.

Gross Margin

Gross Margins increased to 49.4% of sales in fiscal 2001 up from 43.5% in fiscal 2000. The principal reasons for the increase were greater operating efficiencies (new equipment and improved processes) and generally lower material costs resulting from larger purchases as the company grows.

Operating Expenses

Total Operating Expenses increased 40% from $7,251,064 in fiscal 2000 to $10,155,930 in fiscal 2001. This is largely a result of increased staffing from 156 as at March 31, 2000 to 261 as at March 31, 2001 to meet order demands. MTII considers the fixed overhead staffing component at 66 to be sufficient to meet the demands of further growth in fiscal 2002.

Administration Costs in fiscal 2001 include $750,000 in bonus accruals (up from $375,000 in fiscal 2000) payable to solid performers as a result of substantially exceeding the fiscal 2001 objectives.

Operating Cash Flow

As a result of the 59% increase in sales and the strong Gross Margin improvement and notwithstanding the 40% increase in Operating Expenses, Operating cash flow for fiscal 2001 increased 291% to $5,407,191 or 29 cents per share from $1,383,028 or 8 cents per share for fiscal 2000.

Other Expenses

Other expenses increased 48.7% in fiscal 2001 to $1,361,513 from $915,430 in fiscal 2000. The major increase was in asset amortization ($536,682 increase) – a non-cash item. This increase was due to the expansion of Capital Assets to $7,479,127 as at March 31, 2001 from $3,547,532 as at March 31, 2000 and the increase in Intangible and Other Assets to $9,322,922 as at March 31, 2001 from $8,620,275 as at March 31, 2000.

Other Items

There were no unusual or Other Items in fiscal 2001. In fiscal 2000, MTII incurred a $870,778 gain on the redemption of 60% of its shares in QSi and a loss of $190,749 on the sale of the Barrie, Ontario manufacturing facility.

Income Taxes

During the year, the Company adopted the liability method of accounting for income taxes. As a result, the opening deficit was adjusted downward by $1,088,497 to reflect the Company's future income tax position as of April 1, 2000. This adjustment relates primarily to previously unrecognized tax losses.

For accounting purposes only, the Company showed income tax expense of $1,379,000 representing 34.1% of income for the year. This was reduced to $19,698 by virtue of applying tax loss carry forward amounts.

In fiscal 2002, the Company is required to deduct from income, Income Tax expense of about 34% even though the Company will not have cash taxes payable until late in Q3 of fiscal 2002. The Company will use up the $4,768,651 in tax loss carry forward by that time.

Net Income

Net Income improved 259% to $4,025,982 or 22 cents per share for fiscal 2001 up from $1,121,568 or 6 cents per share (includes other items in fiscal 2000 of $680,029) for fiscal 2000.

Liquidity and Capital Resources

As at March 31, 2001 MTII had working capital of $14,626,222 of which $3,491,289 was cash, compared to $8,719,973 ($4,200,073 cash) at March 31, 2000.

The only debt owing by the Company is the obligation under the Capital Lease arising from the Richmond facility as explained earlier.

Management considers the current level of cash and the short term bank debt capacity (the available amount of which is dependent on the levels of accounts receivable and inventory) to be sufficient to meet its near term growth objective.

Capital Expenditures

During fiscal 2001, MTII acquired $1,952,336 of capital assets for cash. The bulk of this ($956,267) was spent on new production equipment to handle the significant growth. The balance was spent to provide the necessary tools for its staff such as computers, laboratory equipment and office furnishings.

The major addition to capital assets was the land and building in Richmond, Virginia under Capital Lease for $2,614,655.

MTII's fiscal 2002 budget calls for additional capital expenditures of approximately $1.5 million, most of which is for new equipment including the addition of its third WaterJet cutter for the Aerospace division. These expenditures will be financed from ordinary cash flow.

RISK AND UNCERTAINTIES

General

The Company has reduced substantially the operating risks normally inherent in manufacturing companies. The order backlog, which contains delivery timing, allows for careful and thoughtful planning of personnel, production equipment, premises and the necessary financial resources.

Competition

MTII has the preeminent position within the thermal and acoustical market for regional aircraft worldwide. In Silicone, the competitors are manufacturers of traditional materials which the Company is looking to replace. Management is not aware of any single competitor that has the ability to make low density silicone products. Importantly, the ability to make low density silicone foam is protected by patents and processes that are proprietary to the Company.

Foreign Exchange

MTII purchases the majority of its raw materials and sells the majority of its products in United States currency. As a result, there is a natural hedge against currency fluctuations between the Canadian and United States dollar.

Environmental Considerations

MTII operations do not involve the use or handling of toxic or hazardous substances. MTII is not subject to any extraordinary environmental legislation or regulation which could materially effect its operations, earnings or capital expenditures.

OUTLOOK

Management is committed to profitably grow the Company. Management attaches a high level of certainty to this objective because of the continuing expanding order backlog which stood at $190 million at year-end, the continuing effort to control costs and improve operating efficiencies, and its ability to attract and retain very high quality personnel.

Management's Responsibility for Financial Reporting and Auditors' Report

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

Management of MTII is responsible for the preparation and integrity of the financial statements as well as the information contained in this report. The following financial statements of MTII have been prepared in accordance with Canadian generally accepted accounting principles which involve management's best estimates and judgments based on available information.

MTII's accounting procedures and related systems of internal control are designed to provide reasonable assurance that its assets are safeguarded and its financial records are reliable. In recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that the financial statements have been prepared according to and within reasonable limits of materiality and that the financial information throughout this report is consistent with these.

The Audit Committee is appointed by the Board, and all of its members are outside directors. The Committee meets periodically with management, as well as the external auditors, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities, and to review the annual report, the consolidated financial statements and the external auditors' report. The Committee reports its findings to the Board for consideration when approving the consolidated financial statements for issuance to the shareholders. The Committee also considers, for review by the Board and approval by the shareholders, the engagement or re-appointment of the external auditors.

BDO Dunwoody LLP, Chartered Accountants, serve as MTII's auditors. The Board of Directors of MTII, along with the management team, have reviewed and approved the financial statements and information contained within this report. BDO Dunwoody LLP's report on the accompanying financial statements follows. Their report outlines the extent of their examination as well as an opinion on the statements.

Robert E. Keto
President and
Chief Executive Officer

Ronald S. Brooks, C.A.
Senior Vice President and
Chief Financial Officer

AUDITORS' REPORT

To the Shareholders of Magnifoam Technology International Inc.:
We have audited the consolidated balance sheets of Magnifoam Technology International Inc. as at March 31, 2001 and 2000 and the consolidated statements of operations, deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2001 and 2000 and the results of its operations, its deficit and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

BDO Dunwoody LLP

Chartered Accountants
Barrie, Ontario
May 4, 2001

Consolidated Balance Sheets

March 31	2001	2000
ASSETS		
Current Assets		
Cash and short-term investments	$ 3,491,289	$ 4,200,073
Accounts receivable *(note 1)*	8,353,208	5,447,618
Prepaid expenses and deposits *(note 2)*	1,110,882	223,513
Inventories *(note 3)*	2,616,900	2,082,329
Investment tax credits and income taxes recoverable	—	49,400
Due from related party *(note 4)*	1,148,381	50,000
Future income tax asset *(note 5)*	1,352,000	—
	18,072,660	12,052,933
Due from related party *(note 4)*	315,400	286,194
Future income tax asset *(note 5)*	92,000	—
Capital assets *(note 6)*	7,479,127	3,547,532
Intangible and other assets *(note 7)*	9,322,922	8,620,275
	$ 35,282,109	$ 24,506,934
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	$ 3,117,680	$ 3,022,440
Provision for relocation costs *(note 8)*	175,000	175,000
Income taxes payable	—	90,081
Current portion of long-term debt *(note 9)*	153,758	45,540
	3,446,438	3,333,061
Long-Term Liabilities		
Long-term debt *(note 9)*	2,461,295	49,335
Provision for relocation costs *(note 8)*	—	175,000
Future income tax liability *(note 5)*	390,000	—
	2,851,295	224,335
Commitments *(note 10)*		
Shareholders' Equity		
Share capital *(note 11)*	35,714,461	32,794,102
Deficit	(6,730,085)	(11,844,564)
	28,984,376	20,949,538
	$ 35,282,109	$ 24,506,934

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Approved on behalf of the Board:

Robert E. Keto, *Director*

David S. White, *Director*

CONSOLIDATED STATEMENTS OF DEFICIT

For the years ended March 31	2001	2000
Deficit, beginning of year	$ (11,844,564)	$ (12,966,132)
Adjustment for future income taxes *(note 5)*	1,088,497	—
Adjusted opening deficit	(10,756,067)	(12,966,132)
Net income for the year	4,025,982	1,121,568
Deficit, end of year	$ (6,730,085)	$ (11,844,564)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended March 31	2001	2000
Sales	$ 31,533,792	$ 19,837,201
Cost of Sales	15,970,671	11,203,109
Gross Margin	15,563,121	8,634,092
Operating Expenses		
Plant and laboratory	4,425,961	3,059,199
Administrative	3,661,561	2,550,377
Marketing	2,068,408	1,641,488
	10,155,930	7,251,064
Income before the following items	5,407,191	1,383,028
Other Expenses and Income		
Interest expense	37,686	80,506
Amortization of goodwill	457,904	457,904
Amortization of capital assets, patents, and deferred charges	1,035,849	499,167
Interest income	(169,926)	(122,147)
	1,361,513	915,430
Operating income before other items	4,045,678	467,598
Other Items		
Gain on sale of subsidiary	—	870,778
Loss on sale of building	—	(190,749)
Net income before income taxes	4,045,678	1,147,627
Income taxes *(note 5)*	19,696	26,059
Net income for the year	$ 4,025,982	$ 1,121,568
Earnings Per Share *(note 12)*		
Basic	$ 0.22	$ 0.06
Fully diluted	$ 0.19	$ —

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31	2001	2000
Cash flows from operating activities		
Net income for the year	$ 4,025,982	$ 1,121,568
Adjustments for		
Amortization	1,493,753	957,071
Net deferred foreign exchange	(96,958)	—
Gain on sale of subsidiary	—	(870,778)
Loss on disposal of building	—	190,749
Deferred taxes	—	(75,000)
Future income tax	34,498	—
	5,457,275	1,323,610
Net change in non-cash working capital balances *(note 13)*	(4,447,972)	(1,089,857)
Cash provided from operations	1,009,303	233,753
Cash flows from investing activities		
Purchase of capital assets	(1,952,336)	(624,045)
Proceeds from disposal of capital assets	—	1,680,280
Advances (to) from related parties	(1,127,587)	86,000
Proceeds from disposal of subsidiary	—	2,084,775
Deferred charges capitalized	(1,426,332)	(602,004)
	(4,506,255)	2,625,006
Cash flows from financing activities		
Decrease in long-term debt	(132,191)	(1,263,009)
Proceeds from shares issued, net of costs	2,920,359	3,148,551
Repurchase of common shares for cancellation	—	(587,755)
	2,788,168	1,297,787
Net increase (decrease) in cash during the year	(708,784)	4,156,546
Cash and short-term investments beginning of year	4,200,073	43,527
Cash and short-term investments end of year	$ 3,491,289	$ 4,200,073
Other information		
Cash paid for interest	$ 37,686	$ 80,506
Cash paid for income taxes	$ 58,232	$ 33,991

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Summary of Significant Accounting Policies

For the years ended March 31, 2001 and 2000

NATURE OF BUSINESS

Magnifoam Technology International Inc. is an integrated material science company. Through its subsidiaries, the Company is engaged in the research, development and production of silicone resins and low density silicone foam using patented chemical technology, and the fabrication of energy management systems using a variety of flexible, cellular materials. The Company's products have a wide range of applications for the mass transit, automotive, civil and military aerospace, defence, marine, sporting goods, institutional and industrial markets. The Company is incorporated under the laws of Ontario.

CONSOLIDATED FINANCIAL STATEMENTS

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Magnifoam Technology Inc. and Magnifoam Delaware Inc. Intercompany transactions and balances are eliminated on consolidation.

USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future.

REVENUE RECOGNITION

The Company recognizes revenue on the accrual basis upon shipment of the product with a provision for estimated returns recorded at that time.

INVENTORIES

Inventories are valued at the lower of cost and net realizable value. Cost has been determined on the first-in, first-out basis.

CAPITAL ASSETS AND AMORTIZATION

Capital assets are recorded at laid-down cost. Amortization is provided using the straight-line method at the following annual rates, one-half in the year of acquisition:

Building	2.5%	Production equipment	5%
Computers	33%	Laboratory equipment	10%
Office furniture	10%	Leasehold improvements – over the term of the lease	
Vehicles	30%		

PATENTS

Patents are recorded at cost and are being amortized using the straight-line method over their remaining legal and useful lives, which varies from five to ten years.

FUTURE INCOME TAXES

Commencing April 1, 2000, the Company adopted on a retroactive basis without restatement, the liability method of accounting for income taxes as outlined in the provisions of Section 3465 of the Handbook of the Canadian Institute of Chartered Accountants.

Under this method, current income tax expense is recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

DEFERRED CHARGES

Deferred charges are costs related to the design of a modified or new product. These costs are capitalized to the related program to the extent that their recovery can be regarded as reasonably assured. These costs are being amortized on a straight-line basis over four years, which is the average length of the contracts, one-half in the year that costs are incurred. If at any time, a program is no longer profitable, the costs are written off.

GOODWILL

Goodwill, being the excess of the purchase price over the assigned values of the net assets acquired is stated at cost less amortization. Amortization is provided on a straight-line basis over its estimated useful life, which has been determined to be 20 years. The Company measures the value of its recorded goodwill on an ongoing basis. The determination of the value is dependant on several factors including sales volumes and discounted cash flows, ongoing technological feasibility and improvements and an estimate of the discounted net contribution margin to the Company's overall financial position. Any impairment in the value of the goodwill is written off against earnings.

EARNINGS PER SHARE

Earnings per common share has been computed by dividing the income applicable to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Fully diluted earnings per common share gives effect to all dilutive instruments as if they had been exercised at the beginning of the year.

FOREIGN CURRENCY TRANSLATION

The Company holds certain net monetary assets which are translated into Canadian dollars using the year-end exchange rate. The financial statements of the Company's foreign subsidiary, Magnifoam Delaware Inc., are translated into Canadian dollars using the year-end rate of exchange for monetary assets and liabilities, the historical rate of exchange for non-monetary assets and liabilities and the average annual rate of exchange for revenue and expenses, except for amortization which is translated at the rate applicable to the related assets. Gains or losses resulting from these translation adjustments are included in income. Long-term monetary assets and liabilities denominated in foreign currency are translated at the year-end exchange rate and the translation adjustment is deferred and amortized over the life of the obligation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and short-term investments with original maturities less than three months.

STOCK BASED COMPENSATION PLANS

The Corporation has a stock option plan. No compensation expense is recognized for this plan when stock options are granted to employees. Any consideration paid by employees on exercise of stock options is credited to share capital. Compensation expense is recognized for the Corporation's contributions to the employee share purchase program.

For the years ended March 31, 2001 and 2000

1. ACCOUNTS RECEIVABLE

		2001		2000
Trade accounts receivable	$	**8,693,402**	$	5,679,527
Less allowance for doubtful accounts		**(340,194)**		(231,909)
	$	**8,353,208**	$	5,447,618

2. PREPAID EXPENSES AND DEPOSITS

		2001		2000
Deposit on future inventory purchases	$	**957,417**	$	36,250
Other prepaid items		**153,465**		187,263
	$	**1,110,882**	$	223,513

3. INVENTORIES

		2001		2000
Raw materials and supplies	$	**1,693,491**	$	1,825,184
Work in process		**322,513**		164,986
Finished goods		**600,896**		92,159
	$	**2,616,900**	$	2,082,329

4. RELATED PARTY TRANSACTIONS

(i) Due from related parties – current

		2001		2000
Loan to Magnifoam Share Partnership *(note 4(f))*	$	**947,471**	$	—
Loan to directors *(note 4(e))*		**152,410**		—
Loan to officer *(note 4(d))*		**48,500**		50,000
	$	**1,148,381**	$	50,000
(ii) Due from related parties – long-term	$	**315,400**	$	286,194

In 1998, the Company loaned U.S. $200,000 to a shareholder to enable him to exercise options on 200,000 common shares. The purpose of this transaction was to facilitate the bridge financing obtained during that year. The loan bears interest at 4%, is due January 21, 2003 and is secured by the 200,000 shares.

(iii) Related party transactions

a) During the year, the Company was charged $55,107 (2000 – $91,577) for legal work performed by a shareholder/director who is the corporate legal counsel.

b) The corporation rents one of its Mississauga manufacturing facilities from a company controlled by the families of a small group of shareholders of the Company. The rent was established on standard commercial and fair market value terms.

c) Certain beneficiaries of the Magnifoam Royalty Trust *(note 10(b))* are directors, officers and/or a principal shareholder of the Company. Royalties paid or payable to the trust amounted to $95,958 for the year ended March 31, 2001 (2000 – $48,634).

d) In 2000, the Company advanced $50,000 to an officer of the Company. The loan bears interest at 4% and is due December 31, 2001.

e) During the year, the Company advanced $152,410 to two directors to exercise share options before expiry. The loans bear interest at 8% and are due December 31, 2001 and are secured by 95,000 shares.

f) During the year, the Company advanced $947,471 to the Magnifoam Share Partnership to acquire on the open market common shares in the capital stock of the Company. The partners are managers and directors of the Company. The loan bears interest at 8%, is due December 31, 2001 and is secured by a pledge of the common shares of the Company and the personal covenants of the partners. Subsequent to the year-end an additional $138,000 was advanced to purchase additional shares.

These transactions were completed in the normal course of operations and are measured at the exchange amount.

5. INCOME TAXES

a) During the year, the Company adopted the liability method of accounting for income taxes. As a result, the opening deficit was adjusted to reflect the Company's future income tax position as of April 1, 2000. This adjustment relates primarily to previously unrecognized tax losses.

Future income tax asset – current	$	1,138,497
– long term		140,000
Future income tax liability – long term		(190,000)
Net adjustment to opening deficit	$	1,088,497

		2001		2000
b) Combined basic Canadian federal and provincial tax rate		**43.1 %**		44.6 %
Manufacturing and processing reduction		**(9.0)%**		(9.0)%
		34.1 %		35.6 %
Tax on consolidated income	**$**	**1,379,000**	$	409,000
Application of losses carried forward		**(1,675,500)**		(382,941)
Non-deductible items		**74,198**		—
Current year's unrecognized loss in subsidiary		**242,000**		—
	$	**19,698**	$	26,059

The Company has recorded and unrecorded losses for tax purposes which are available to reduce taxable income in future years. These losses expire as follows:

Year		Amount
2005	$	2,931,584
2006		590,111
2007		1,246,956
	$	4,768,651

Components of income tax expense are:

		2001		2000
Current income taxes	**$**	**19,698**	$	26,059

c) Future income taxes consist of the following temporary differences:

Future income tax asset – current		
Loss carry forwards	$	1,206,000
Other		146,000
	$	1,352,000
Future income tax asset – long-term capital assets	$	92,000
Future income tax liability – long-term capital assets	$	390,000

6. CAPITAL ASSETS

	2001		2000	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Land	**$ 301,420**	**$ —**	$ —	$ —
Building	**2,787,239**	**17,420**	—	—
Production equipment	**4,195,728**	**672,191**	3,239,461	446,198
Laboratory equipment	**202,776**	**60,453**	134,261	46,729
Office furniture	**553,882**	**173,477**	424,060	118,527
Computers	**810,900**	**682,346**	547,192	412,219
Leasehold improvements	**447,891**	**250,950**	388,786	162,555
Vehicles	**38,231**	**2,103**	—	—
	$ 9,338,067	**$ 1,858,940**	$ 4,733,760	$ 1,186,228
Net book value		**$ 7,479,127**		$ 3,547,532

During the year, the Company acquired $1,952,336 of capital assets for cash, and land and building under capital lease for $2,614,655. The Company has the option to acquire the land and building throughout the term of the obligation at an amount equal to the remaining principal sum or for $1 when the capital lease obligation is fulfilled in 2018.

7. INTANGIBLE AND OTHER ASSETS

	2001	2000
Patents at cost, net of accumulated amortization of $209,571 (2000 – $174,365)	**$ 127,049**	$ 162,254
Deferred charges at cost, net of accumulated amortization of $327,532 (2000 – $72,330)	**1,651,645**	552,846
Goodwill at cost, net of accumulated amortization of $2,238,382 (2000 – $1,780,878)	**7,447,171**	7,905,075
Net deferred foreign exchange	**96,957**	—
Investment in QSi at cost, representing a 10% interest	**100**	100
	$ 9,322,922	$ 8,620,275

8. RELOCATION COSTS

In the last quarter of 1999, the Company reorganized their production operations by moving their Barrie location to Mississauga and amalgamating the two locations in August 1999. The costs relating to the move amounted to $1,107,500. At March 31, 2001 there was $175,000 of personnel costs still outstanding which is to be paid in 2002.

9. LONG-TERM DEBT

	2001	2000
Capital lease obligation, interest at 6.53%, payable U.S. $8,125 monthly principal payments plus interest, due April 2008, secured by a charge on the land and building	**$ 2,615,053**	$ —
Term loan, bearing interest at Royal Bank prime plus 1% per annum, payable monthly at $3,795 plus interest, due April 2002, secured by a general security agreement	**—**	94,875
	2,615,053	94,875
Less portion due within one year	**(153,758)**	(45,540)
	$ 2,461,295	$ 49,335

The interest on long-term debt amounted to $35,731 in 2001 (2000 – $77,114).

Payments due on the capital lease obligation during the next five years and thereafter are as follows:

Year		Amount
2002	$	322,156
2003		311,977
2004		301,797
2005		291,613
2006		281,433
2007 and thereafter		2,071,077
		3,580,053
Less interest portion of payments		(965,000)
	$	2,615,053

The Company has an available operating line of credit of $6,000,000, bearing interest at Royal Bank prime plus 0.5%, secured by a general security agreement.

10. COMMITMENTS

a) Leases

The Company has obligations under long-term leases for premises, vehicles, and office equipment for various periods up to the year 2004. Future minimum lease payments are as follows:

Year		Amount
2002	$	500,700
2003		405,200
2004		36,675

b) Royalty Agreement

The Company is committed to a royalty payment of 3.5% of certain silicone sales of Magnifoam Technology Inc. under an agreement which extends until February 22, 2012. The payments are made to a trust, the beneficiaries of which are certain individuals who were direct or indirect shareholders of the Company when the trust was created.

11. SHARE CAPITAL

a) Authorized:

Unlimited number of common shares

Unlimited number of preference shares

b) Issued:

	Number of shares		Amount	
	2001	2000	**2001**	2000
Common shares				
Balance, beginning of year	**18,129,334**	16,933,044	**$ 32,794,102**	$ 30,233,306
Issued	**—**	1,450,000	**—**	2,900,000
Options exercised	**552,500**	176,790	**847,905**	248,551
Warrants exercised	**725,000**	—	**2,175,000**	—
Shares acquired for cancellation	**—**	(430,500)	**—**	(587,755)
Share issue costs	**—**	—	**(102,546)**	—
Balance, end of year	**19,406,834**	18,129,334	**$ 35,714,461**	$ 32,794,102

The warrants were exercised pursuant to a 1999 agreement with a shareholder, Amber Industrial Holdings plc and their acquisition of QSi, in which the Company holds a 10% interest *(note 7)*.

c) The Company grants stock options to directors/employees and accounts for these options when exercised. Currently, there are no vesting requirements for share options (2000 – 50,000 common share options had a one year vesting requirement). The maximum term of the options granted are five years and there are 2,573,626 shares (2000 – 2,573,626 shares) authorized for granting of options. As at March 31, 2001 there were outstanding options to purchase 1,784,000 common shares exercisable as follows:

Number and Class of Shares	Nature of Option	Description
1,784,000 common shares	Employee/Director stock option plan	Options to subscribe for common shares at prices ranging from $1.20 to $7.65 Cdn per share with a weighted average of $2.04. Options expire from May 9, 2001 to November 20, 2005.

12. EARNINGS PER SHARE

The basic earnings per common share is calculated on the weighted average number of common shares outstanding during the year (2001 – 18,709,607 shares, 2000 – 17,983,438).

Fully diluted earnings per share gives effect to the exercise of the outstanding stock options. In 2000, the effect of exercising the options and warrants would have been anti-dilutive.

13. NET CHANGE IN NON-CASH WORKING CAPITAL BALANCES

	2001	2000
Accounts receivable	$ (2,905,590)	$ (938,719)
Prepaid expenses and deposits	(887,369)	(65,163)
Inventories	(534,572)	(305,498)
Investment tax credits and income taxes receivable	49,400	826
Accounts payable and accrued expenses	95,240	938,616
Provision for relocation costs	(175,000)	(757,500)
Income taxes payable	(90,081)	37,581
	$ (4,447,972)	$ (1,089,857)

Decreases in assets and increases in liabilities result in a source of cash. Increases in assets and decreases in liabilities result in a use of cash and are indicated by brackets.

14. SEGMENT INFORMATION

The Company operates in one reportable segment. The Company's principal business activity is the development, manufacture, and sale of silicone foam and the fabrication of energy management systems from a variety of flexible, cellular materials. The Company operates in three distinct markets: aerospace, sporting goods, and mass transit.

The following are the revenues with respect to the market segments previously described:

	2001	2000
Sales		
Aerospace	$ 19,373,861	$ 11,864,147
Sporting Goods	4,142,760	3,872,311
Mass Transit	1,082,415	1,328,029
Other	6,934,756	2,772,714
Total	$ 31,533,792	$ 19,837,201

Sales to customers in foreign countries, primarily the United States, amounted to $6,180,105 in 2001 (2000 – $4,014,423). The assets of the Company's U.S. subsidiary amount to $3,421,000.

The company had 59.5% (2000 – 56.5%) of its sales from various divisions of one key customer.

15. SUBSEQUENT EVENT

Subsequent to year-end, the Company entered into an agreement to sell part of its packaging line for $430,000. Along with the customer list, the company sold accounts receivable, inventory and capital assets. The net gain on the sale is expected to be $250,000.

16. FINANCIAL INSTRUMENTS

a) Foreign exchange

The Company has significant sales in the United States which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in foreign exchange conversion rates. As at March 31, 2001, the Company has $7,600,000 of accounts receivable denominated in U.S. dollars.

b) Credit risk

The Company is exposed, in the normal course of business, to credit risk from its customers. A significant portion of the outstanding accounts receivable at March 31, 2001 is due from various divisions of one key customer.

c) Interest risk

It is management's opinion that the Company is not exposed to significant interest risks arising from its financial instruments.

d) Fair value

Short-term investments, accounts receivable, accounts payable and accrued liabilities have short periods of maturity and the carrying values contained in the consolidated balance sheets approximate their fair values.

17. COMPARATIVE FIGURES

Certain comparative balances have been reclassified to conform with the current year's presentation.

Directors and Officers

DIRECTORS

Rodney C. Vander Meersch [1,3]
Mr. Vander Meersch has served Magnifoam as a director since November 1995 and is Chairman of the Board. He is Director of Institutional Sales at SG Cowen Securities Corporation, an international investment bank.

Robert E. Keto [3]
A director since November 1995 and Chairman from 1997 to 1999, Mr. Keto was appointed President and Chief Executive Officer of the company in April 1999. Prior to joining Magnifoam, he gained 30 years of senior management experience, including CEO responsibility for Radio Shack with the InterTAN group of companies. He has also worked with a variety of companies to reduce operating costs and improve performance.

Robert G. Kearns [2,3,4]
Mr. Kearns has been a director of Magnifoam since November 1995. He is President of Kearns Insurance Corporation and Chairman of Kearns Vander Meersch & Boulton Publishing Ltd. Mr. Kearns is Chairman of the Communities in Schools Canada and a Director of the Halifax Aircraft Association.

General (ret'd) Lewis W. MacKenzie [4]
A director since September 1997, General Lewis MacKenzie is President of General MacKenzie Communications Inc. He was a member of the Canadian Armed Forces for 33 years, nine with NATO forces in Germany, and served as Chief of Staff for the United Nations Protection Force in Yugoslavia in 1992.

William J. Neill [1,2,3]
A director since September 1999, Mr. Neil has served as Senior Vice President, Rogers Media Inc. since June 2000. Prior to his appointment at Rogers Media he served in senior executive roles for such companies as Sun Media Corporation, the Financial Post, The Ottawa Sun and the Financial Post Magazine and DataGroup.

Arne Strand [4]
Mr. Strand has served Magnifoam as a director since July 1999. He is Managing Director, Amber Industrial Holdings plc, a specialized industrial chemical holding company and a wholly owned subsidiary of Caledonia Investments plc. Prior to 1997 he was Chief Executive Officer of the European Adhesive and Textile Coating Division of BTP plc.

David S. White, Q.C. [2]
Mr. White has acted as General Counsel to Magnifoam since its incorporation in March 1994 and has been a Director and Secretary to the Board of Directors since November 1995. Since 1971, he has practiced Corporate Commercial Law in the city of Barrie.

Robert E. Lord, F.C.A. [1,3]
Mr. Lord is the most recent director to join Magnifoam's Board. He was appointed Chairman of the Board of the Canadian Institute of Chartered Accountants upon retiring as Vice Chairman of Ernst and Young, and is a fellow of both the Alberta and Ontario Institutes of Chartered Accountants. A member of the Board of Governors for the CCAF, he is also Chairman of the Ontario Financial Review Commission.

1 *Member of the Audit Committee*
2 *Member of the Compensation Committee*
3 *Member of the Executive Committee*
4 *Member of Governance Committee*

(left to right) **Rodney C. Vander Meersch, Robert G. Kearns, Robert E. Lord, William J. Neill, Robert E. Keto, Arne Strand, David S. White,** Q.C., **General (ret'd) Lewis W. MacKenzie**

OFFICERS

Robert E. Keto
President and Chief Executive Officer
Magnifoam Technology International Inc.

Ronald S. Brooks
Senior Vice President,
Chief Financial Officer and Treasurer
Magnifoam Technology International Inc.

David S. White, Q.C.
Secretary
Magnifoam Technology International Inc.

Corporate and Shareholder Information

SHAREHOLDER AND INVESTOR INFORMATION

Stock Listing
The Toronto Stock Exchange: MTG

Share Information
Total shares outstanding: 19,406,834
(as at March 31, 2001)

Transfer Agent
For information regarding individual stock records, transactions, share certificates, or stock transfers, or to report duplicate mailings, please contact:

Computershare Trust Company of Canada
100 University Ave, 11th floor
Toronto, ON M5J 2Y1
Toll Free: 1-800-663-9097

Auditors
BDO Dunwoody LLP

Bankers
Royal Bank of Canada

Securities Solicitor
Wildeboer Rand Thomson Apps & Dellelce, LLP

Corporate Solicitor
David S. White, Q.C.

Investor Relations
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Email: mti@magnifoam.ca

Corporate Governance Statement
Magnifoam has a separate Corporate Governance Committee, to ensure that the company continues to meet or exceed corporate governance guidelines, as set out by the Toronto Stock Exchange. Full corporate governance information is contained in Magnifoam's Information Circular.

Annual General Meeting
Shareholders and other interested parties are invited to attend Magnifoam's Annual General Meeting at the Toronto Stock Exchange Conference Centre, 130 King Street West, The Exchange Tower, Toronto, Ontario on Thursday, September 13, 2001 at 9:00 a.m.

CORPORATE INFORMATION

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